Paying their way: health financing mechanisms in Zambia

Health services in many low-income countries charge user fees. These payments may deter the poorest people from seeking treatment. Zambia has tried two alternatives to user fees: prepayment and discount cards. How do these schemes affect equity in the use of health services?

User fees can help to maintain supplies of drugs and provide bonuses to motivate health workers. Health centres in Zambia have used varying combinations of three cost recovery mechanisms:

- user charges
- prepayment through a monthly insurance scheme, aiming to pool risk across income groups and between the sick and healthy
- discount cards allowing users to buy coupons for cheaper health services, spreading risk over time and allowing transfer of coupons between individuals.

What are the equity implications of each option? Research by the University of Tsukuba, Japan, and Queen Margaret University College, Edinburgh, UK, focused on the choices people make before they fall ill. They used economic models to predict that payment mechanisms are chosen based on the price or premium charged and the timing of payment. Other influences are the user's income, their chosen level of health care use and their perceptions of their own health status and the quality of health care available.

The researchers looked at six urban health centres: three in Lusaka and three in Kitwe, using a nationwide household survey, routine health centre records and an outpatient exit survey. These data suggest that:

- Of those who prepay, 62.3 percent in Lusaka and 91.5 percent in Kitwe subscribe only when they need care and are unlikely to keep up enrolment once they are well.

- Households that do not face a cost at the point of use (through prepayment or employer coverage) are 2.1 times more likely than others to use health services in Lusaka and 1.7 times more likely in Kitwe.

- Results largely support the idea that prepayment is linked to a higher service use than discount cards, with the lowest utilisation level found for user charges.

- Income is not a significant factor in choice of payment mechanism, but smaller households tend to choose prepayment.

- Perceived quality is less important than expected in the choice of payment method.

- Discounts cards are chosen mostly by people who live near the health

facility.

The researchers conclude that relative to user charges, prepayment improves access to care without causing income-related inequity. Discount cards also aid access, but to a lesser extent, and are more likely to produce income-related equity losses, favouring people who already have greater access to services. Interrupted subscription is common in prepayment schemes. Discount cards may offer a middle ground: giving better equity and access than user charges while protecting against the abuses of prepayment schemes.

The range of options for policy-makers includes:

- using monthly rather than annual prepayment to reduce income inequities, paying attention to problems such as interrupted enrolment and higher administrative costs
- learning from health centres with the most successful prepayment schemes to reduce abuses of the system elsewhere
- conducting a better resourced and monitored trial before introducing discount cards.

Source(s):

‘Making choices between prepayment and user charges in Zambia. What are the results for equity?’, Health Economics, by Masahide Kondo and Barbara McPake, 2007 (in press)

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